



Business plan: LevelUp

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<p>Abstract:</p> <p>The following thesis was created to enable the writers to produce a business plan for LevelUp Company, gaming café that is going to operate in the center of Helsinki and provide customers playing hours on PC, PS4 and X-box One. The entire business plan describes all aspects concerning marketing analysis, financial data and basic information on the gaming café as location, number of staff, prices, working hours, etc.</p> <p>The theoretical framework was based on the most reliable marketing and finance books accompanied by analysis of web resources, in order to evaluate the industry and the market. The outcomes for the thesis are based on reviews of the gaming industry trends, requisite researches conducted and bookkeeping created by the authors.</p> <p>The main goal of this Bachelor thesis is achieved; authors using the knowledge obtained from Arcada were able to prove the sustainability of the LevelUp Company. Projected NPV was positive, marketing campaign is planned to begin before the initial opening and after two years of operations to show the development of the LevelUp.</p> <p>Finally, even though the entire purpose of the thesis was to test its real chances to be established and act as a guide book for basic business plan writing, the founders would also admire to attract potentially interested third parties into the establishment and running process.</p>	
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1. INTRODUCTION

1.1. Purpose of the Thesis

The main purpose of the thesis was planning and creating a business plan for opening a electronic sport gaming café, that will operate in Helsinki, Finland. Due to the fact that both thesis writers are eager to open this venture in real life making this business plan our thesis topic game an opportunity to plan both financial and marketing aspects of the business. Moreover, having such topic as a thesis will provide an opportunity to test the entrepreneurial skills and get the unbiased assessment of the work done. One more objective of writing the thesis is to test the ability to use the knowledge in business sphere on practice, while creating a venture.

Summarizing the above said the main goal of writing a business plan as a thesis work is to produce the clear understanding on the possibility of such a business in Finland and the need for it. Opening LevelUp gaming café is considered as a perspective idea and all financial and marketing analysis are proving that there is a demand for this kind of a venture in Helsinki.

1.2. Research Method

To open a venture wide and objective business plan is needed to be created. The foundation of a business plan is precise research, conducted to obtain all needed information about legal issues, possible industrial trends, target market, financial institutions and all other important parts of a business plan. Thesis writers used several methods to plunge into Finnish gaming industry, market trends and gamers' community. In order to get all information needed the following researches were conducted:

- Quantitative customers' survey – 109 respondents answered questions about their gaming habits, quantity of games purchased and willingness to have a gaming café and an entertaining centre to play games and meet with other gamers;
- Qualitative competitors' research – all possible indirect competitors and the only direct one were scanned, prices, open hours, services provided were investigated and compared with LevelUp gaming café;

- Holistic industry research – statistical research about the overall gaming habits in Finland, games purchase and new trends were investigated by using “FIGMA” webpage and ongoing growth in the gaming environment;
- Courses of funds – all possible financial governmental investors were oversaw in order to find the most suitable way of getting starting capital;
- Financial projections – creating NPV, and all financial statements for the first 5 years of company’s operations.

2. THEORETICAL FRAMEWORK

2.1. Business Plan and Entrepreneurship

The term “entrepreneur” was introduced by J.B. Say around 1800 and described that person (entrepreneur) as a one who shifts economic resources from one area of lower productivity into the area of higher productivity and yield (Zimmerer, Scarborough, 1996).

Zimmerer, Scarborough (1996) also specify some of the pros and cons of being an entrepreneur.

Pros:

- Opportunity to gain control over one’s own destiny;
- Opportunity to reach one’s full potential;
- Opportunity to benefit financially;
- Opportunity to contribute to the society and be recognized for one’s efforts.

Cons:

- Uncertainty of income;
- Risk of losing your entire invested capital;
- Long hours and hard work;
- Lower quality of life until the business gets established;
- Complete responsibility.

“The business plan is a written summary of the entrepreneur’s proposed venture, its operational and financial details, its marketing opportunities and strategy, and managers’ skills and abilities” (Zimmerer and Scarborough, 1996, 327)

Business plan all in all is not only created for the start-up companies, but it is used to plan the expansion of the business, opening a new branch of the same company that will produce the same product line or open a new line of products. Besides that, business plans are written to improve operations inside the company. Developing the idea, there are several main purposes for writing a business plan: (Graham Zehle, 2004)

- **Securing finance business plan** – this form of business plan is made for showing the growth for the company from the financial perspective. In this form of a plan, the focus is given to strategic and financial planning of the business, rather than to going deeper into operational details;
- **Operational management and budgeting** – in this form of a business plan more focus is given to technical details of the business, business process itself as well as product description. Less attention is paid to strategy and tactics;
- **Other uses** – in this category business plans are made for getting finance approvals, structuring marketing strategy or overviewing the larger competitors. Mission, Vision and company objectives are an important part of the business plan of this kind. One more use of such business plans can become creating a plan for tender. From this point of view, products and services of the company are allocated by the government body.

Creating a proper business plan is an opportunity to illustrate the entrepreneur's business idea, to plan and present it to the public, possible investors or a bank, in order to obtain the funds needed if an entrepreneur lacks them. Besides, writing a business plan will enable a future company's founder to:

- Develop marketing and financial strategy;
- Prepare to apply for monetary support from government organizations or private investors;
- Create a wide ranged strategic plan, overviewing the business from different angles;
- Develop the internal enthusiasm in the entrepreneur to see if the business is really represents what the businessman feels.

2.2. Structure of the plan

Even though any business plan brings a unique idea of the company and is representing unique personality of the entrepreneur, an entrepreneur needs to follow the structure, in order to accomplish and cover all possible elements of the future business. The main elements for writing any business plan in order to make it successful are:

- Executive summary – summary that brings the first impression of the business plan. It explains the purpose of the business, main business idea and financial projections on the profits;
- Company summary – historical review of the company, explanations on the business idea;
- Business profile – in this part an entrepreneur is providing information to familiarize potential investors with the nature of the business, providing information on operations and marketing strategy. In order to produce the fair observation of the company, Mission, Vision of the company is provided in this part, as well as business goals and objectives are shared;
- Product and services – in this part of the business plan, business owner describe the company's overall product line or service, describing how they are going to be used. Besides, the description should provide honest comparison of the company's services with the competitors';
- Marketing strategy – forming marketing strategy basing on surveys and researches produced by LevelUp Company's founders. Creating an approach for the LevelUp gaming café opening in order to attract most potential customers to the gaming club and raise the interest in gaming industry in order to obtain more customers in future;
- Financial data – in this part of the chapter, all financial projections concerning getting starting capital, ways and sources of receiving the funds are discussed. Besides, financial statements are created and analyzed. Explanations on the cost of equipment, facility, service providence etc. are illustrated in Appendices 1-20.

3. BUSINESS PLAN

3.1. Executive Summary

LevelUp Company is going to open a gaming café in the center of Helsinki, Finland. The founders and co-owners are going to be Viktor Zhak and Ilya Sokolov. The starting budget of the company is going to be €167 500, where €100 000 is going to be a company's loan and €67 500 are personal funds of the founders.

The gaming café is planned to be a place with PC, X-box one and PS-4 gaming machines, providing gaming hours as the main product. Besides, special computers are going to be inserted in order to surf the Internet. One more additional product in LevelUp gaming café is going to be LevelUp Odium. Odium is a special room, equipped with projector and 10 comfortable seats in order to show electronic sports competitions.

Main target groups are gamers aged from 15 to 20 and from 21 to 30. Due to the research that LevelUp Company's founders produced, these age groups most interested in the gaming business.

The company is planning to earn more than €70 000 in the first year and has about 13% turnover growth rate per year. Such incomes will enable LevelUp Company to develop and hold national competitions and probably international level competitions.

Gaming industry in Finland is on the steady growth. According to the tendency, LevelUp gaming café is going to be launched in the right time. There is only one direct competitor, but the strategic research was made in order to overcome the competitor and become the leader in the industry.

3.2. Company Summary

LevelUp Company is planning to be a Cyber-sport and Internet café located in Helsinki, Finland. It is planned to be established by Viktor Zhak and Ilya Sokolov. The educational background of both founders is including Bachelor Degree in International Business with major in finances.

The entire idea came from the fact that there were not too many places where youth could come along and do what they like to as well as socialize. This is a new idea and due to the

research conducted there is only one direct competitor, that provide service like LevelUp is going to provide, but for the current time the place is closed for renovation. There are more indirect competitors, where people can spend their free time as well. For instance, there are found such indirect competitors as bowling centers, cinemas, pool centers, carting centers, youth clubs, night-clubs. The analysis of the competitors will be given later in a separate chapter.

This kind of business is successfully existing starting approximately from late 90's in such CIS countries as Russian, Ukraine, and Kazakhstan as well as in European countries close to Finland as Sweden. Nowadays, at the age of Internet games it is still popular. Undoubtedly, most families in Finland can afford buying a PC or a gaming console, but it can be a problem if not only one person out of family needs a computer or console. LevelUp's competitive advantage will be based on the fact that all computers will be highly equipped with the latest technological and gaming trends so that people can come anytime and enjoy gaming process. Besides, there will be a dozen gaming stations that will enable big groups of people to come and play together, which is not every time possible at home. Further information on business idea features will be given in next chapters.

3.3. Business profile

3.3.1. Ownership

Since someone decides to become an entrepreneur, many things have to be considered before going into the process of establishing the business itself. The legal aspect of entrepreneurship is one of them. In accordance with Zimmerer, Scarborough, (1996) there are numerous and very different structures an entrepreneur may choose among. All of them have got own benefits and drawbacks. Below, the organizational structures will be named and explained.

Sole Proprietorship

That is the first and probably the most popular form of business organization available to a fresh entrepreneur. In this form only one person owns the business and the whole responsibility lays on one individual. Normally, people turn their hobbies into a business with sole proprietor legal structure. There are some more attractive sides of sole proprietorship in

addition to the simplicity of creation. Among others, the list of advantages involves low start-up fees; profit incentive (after settling all the debts); total control over the business; no special legal restrictions; easiness to discontinue the business. On the other hand, there are such disadvantages as skills and capabilities limitation (sole proprietor may not have the whole range of skills needed to run the business successfully); limited access to capital (the only way to get capital for an individual is a loan which cannot be taken too often); lack of continuity for the business (the business ends with the life of the owner).

In Finland this form of business is called Toiminimi (T:Mi). Financial statements of such companies are available in public, if there are more than 50 workers or turnover is bigger than 20 000 000 Euro.

Partnership

The only difference of this organizational structure to sole proprietorship is that here there are two or more partners which share assets, liabilities, and profits. The proportion of all those elements shared between each other not necessarily to be shared equally. All these aspects are discussed beforehand and declared in a Partnership Act. By roles, partners can be divided into different types: *general partners* (partner takes responsibility and actively participate in company management); *limited partner* (partner's liability limited to his/her finances and this partner cannot participate in daily management, otherwise would be treated as a general partner with whole responsibility). Limited partners can be also divided into two groups; they are *silent partners* and *dormant partners*. Both of them are inactive in management, but some are known to be members of the partnership, and others are not associated with the business in any ways, respectively. Below, there could be found the list of advantages and disadvantages of partnership organization.

In Finland there are two main types of partnership:

- General Partnership – Auoin Yhtiö (Ay)
- Limited Partnership – Kommandiityhtiö (Ky)

For both of this types of partnership public financial statements reports are available. The official requirements for this are number of employees to be more than 50, turnover to be more than 20 000 000 Euro or if the assets amount is exceeding 10 000 000 Euro.

Table 1, Partnership's Advantages and Disadvantages

+	-
<ul style="list-style-type: none">• Easy to establish• Complementary skills of partners (skills are presented by more than one person so that they complete each other)• Division of profits• Larger pool of capital• Ability to attract limited partners (if some capital needed)• Little governmental regulation• Flexibility (due to size and organization simplicity)• Taxation (no double taxation)	<ul style="list-style-type: none">• Unlimited liability of at least one partner (in case if there is only one general partner)• Capital accumulation (not as easy as it would be in case of corporate form of organization)• Difficulty in disposing of partnership interest without dissolving the partnership (if some partner decides to quite it might cause difficulties it reorganization of the partnership so that it would be easier to establish a new one for remaining partners)• Lack of continuity (similarly to sole proprietorship)• Potential for personality and authority conflicts between the partners• Partners are bound by the law of agency

Corporation

The corporation form is the most complicated form of business ownership. Corporation has got its own identity and separated apart from the owners. In other words, it may engage, make contracts, sue and be sued, pay taxes. In previously mentioned forms of business organization, owners were fully responsible for the business and its operation, and were bound with the company. Corporations have more responsibility to the society and to the government. Therefore, they are obliged to report annually about their financial operations. These reports become public records.

There are several types of corporation by the location of their operations. It is commonly accepted to distinguish such types as *domestic*, *foreign* and *alien* corporations.

Below, there could be found the list of advantages and disadvantages of corporation form organization.

Table 2, Corporation's Advantages and Disadvantages

+	-
<ul style="list-style-type: none">• Limited liability of the stockholders (liability limited to the amount of investments)	<ul style="list-style-type: none">• Cost and time involved in the corporation process• Taxation (owners receive money

<ul style="list-style-type: none"> • Ability to attract capital • Ability of corporation to be continued indefinitely • Transferable ownership • Lager pool of skills, expertise, and knowledge 	<p>which were already taxed due to a separate legal entity of corporation)</p> <ul style="list-style-type: none"> • Potential for diminished managerial incentives (due to some prejudices that investors get free ride when invest) • Legal restrictions and regulatory red tape (many reports needed to be distributed to the government) • Potential loss of control by the founders of the corporation (after stock sales)
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In addition to main forms of business organization mentioned and described above, there are hybrid forms of ownership.

Limited Liability Company

This is one of the relatively new forms of company organizations which was introduced in 1977 “by the state of Wyoming to fill a new need— businesses that wanted to be taxed and managed like partnerships but protected from liability like a corporation” (Warda, Mark 2005). In Limited Liability Company organization there must be at least two owners which have limited liability and have no any restrictions on their involvement on a daily running management. In other words, it can be stated that LLC involves advantages of partnership and corporation organizational structures. However, below, there is the full list of benefits and drawbacks of choosing LLC as a business organisation model:

Table 3, LLC's Advantages and Disadvantages

+	-
<ul style="list-style-type: none"> • Limited liability • Continuous existence • Ease to transferability • Sharing ownership • Ease of rising capital • Separate record keeping • Ease of estate planning • Separate credit rating • *Prestige 	<ul style="list-style-type: none"> • Cost • Separate record keeping (easy to get confused in distinguishing personal and LLC's) • Taxes • Banking (checks cannot be cashed but deposited therefore fees involved)

The founders have analyzed all the available forms of ownership and have decided to register LevelUp Company as a limited liability company owing to all the advantages and being able to face the disadvantages as well.

As the LevelUp Company is going to be opened in Finland, the legal structure is going to be called Osakeyhtiö (Oy). Shared capital should not be less than 50 000 Euro. LevelUp Company will not have to produce public financial reports as the number of employees is not going to be over 10. Besides, for the first several years total assets would not overgrow the amount of 2 000 000 Euro. If one of the requirements would be reached, LevelUp Company is going to start producing public financial statements and the due date for providing such documents is seven month after the end of the stating period.

The ownership of the company would be equally split between Viktor Zhak and Ilya Sokolov.

3.3.2. Business idea screening

In order to provide a fair business screening, twelve questions were claimed and answered. Due to the theory, the more “Yes” answers, the more successful the business is going to be, as each question is asked to evaluate the knowledge and awareness of the founders about the legal issues, industry, competitors and other aspects of opening and running the firm. LevelUp founders answered all the questions basing on the knowledge they have and consider the replies to be credible.

1) Is our proposed activity legal in our country? Do we know the rules, regulations and permits concerned with the activity?

Yes, it is. This kind of business is absolutely legal, in case if the company is not going to commit copyright infringement. In addition, in order to avoid problems with game producers, LevelUp Company is going to use one game on one machine, which means that each game will not be installed on two or more machines at a time. Yes, all rules have been taking into account.

2) If formal (such as a degree) or informal qualifications (such as a diploma) are needed to perform this activity credibly, do we possess them?

Yes, the only qualifications that employees of the LevelUp Company need to possess are technical issues (i.e. some software failure, unstable connection to the LAN, etc.) Co-owners of the company do not possess such skills, but there are going to be several employees.

3) Do we have the experience and credibility needed to make our customers hand out their hard-earned cash for our service?

No, however Company' founders can compensate the lack of experience and credibility by the fact that they are aware of the gaming industry and hold information and skills needed to provide the target customers the service they are willing to obtain. Furthermore, founders had an experience of visiting cyber cafes in different countries, and know what customers expect to get for their "hardly-earned" money.

4) Do we know, and have access to, the customer segment that would use our services?

Yes, LevelUp does.

5) Do we own, or do we have easy access to, the equipment and tools needed to produce our service?

The company has an easy and comfortable ways of getting all the equipment needed to provide services.

6) If considerable capital is needed to perform this service on a regular basis, do we have access to such capital?

Yes, LevelUp Founders have an access for the startup venture capital.

7) Do we know the price the customer is willing to pay for our service?

Yes, the prices are based on the direct and indirect competitors' prices analysis.

8) Will that price cover our costs, including fair wages to ourselves?

Yes, it will. Based on the financial planning that was made, all wages for co-owners and employees will be fulfilled.

9) Do we know the competition and their modes of operation?

Yes.

10) Are we unique enough to create our own profile and beat the competitors?

Yes, LevelUp Company is going to be a unique business in the industry as there are no direct competitors. There are several places where you can play games (in front of the GameStop Oy points) but there is no variety of games, as well as no special atmosphere is created.

11) Is the business scalable, i.e. can it be expanded easily?

Yes, there is a possibility of opening similar places in other part of the city or even other cities of Finland.

12) Is the business exportable, i.e. can it be transplanted easily to another country?

Yes, the brand name can be expanded internationally to other Nordic countries and/or European countries.

3.3.3. Vision

LevelUp Company's vision is a solid base of the elements that the company values most:

- **People** Be a base for a Finish e-sport community and gain worldwide visibility through community members' achievements in international cyber-sport challenges.
- **High performance** Everyday top-quality service with the help of highly-qualified personnel and state-of-the-art equipment.
- **Style** All services are provided in a high-tech style that represents the top quality equipment. Staying "Cool" will bring people the feeling of being a part of an unforgettable experience, bringing them back again and again.
- **E-sport** Each person will find themselves as a part of a real action in terrifying and spectacular world of electronic sport events, with the help of atmosphere and being close to other gamers next to you. Such approach will create a better relation between customers as well as lead to a Finish e-sport community to appear.
- **Profitability** Staying profitable will help our customers to get the best equipment, tools and services in order to have an unforgettable experience visiting LevelUp cyber-café.

LevelUp Company will value high performance, convenience and broad access to different e-sport platforms for different level users, from local amateurs to world professionals.

3.3.4. Mission

The mission of the LevelUp Company is to open a high-tech equipped place for gamers of all ages. The company is going to provide them the best equipment as well as a unique chance to meet with each other, compete or even make teams and train to perform on an international e-sports stage. Besides playing games, customers will have a chance to follow the top world e-

sports events in the special place (LevelUp Game Odium). People coming to the LevelUp gaming café will be greeted with warm and friendly atmosphere, high equipment wide range of games for PC, PSP4 and X-Box. Moreover, gamers will be provided with free coffee and a nice choice of snacks.

3.3.5. Goals

LevelUp Company is planning to accomplish several goals while opening the LevelUp gaming café and during its operations. Set of goals is provided below:

- Create a competitive and profitable business in the entertaining gaming industry. Setting up the unique company will provide new opportunities for customers.
- Create a well-known brand (LevelUp) in order to become recognizable in the gaming industry as an international gaming club. This action is going to bring more opportunities in holding competitions.
- Create a base for the Finnish gaming society, to raise the level of organizational structure in the gaming industry.

3.3.6. Objectives

A marketing objective is the quantification of what an organization sells (products or services) and to whom (markets). Setting the marketing objectives will be the base of choosing a proper marketing strategy, as there are different ways of reaching different goals. Special approach was created to set the objectives and it is called S.M.A.R.T. Each letter stands for one of the important criteria of the objectives (Ruskin-Brown, 2006):

- Specific – it is needed to be said exactly what is aimed to be achieved.
- Measurable – Each objective should be easily measured by a number, percent or money.
- Action oriented – set of actions that is needed to be taken to reach the objective.
- Realistic – Goals can be reached with the sources that a company possesses.
- Time based – Each objective should have a time frame or a schedule for getting to it.

In order to reach the goals that LevelUp Company settled for itself, several objectives should be discussed. Objectives in Social, Financial and Marketing spheres should be faced.

- Financial objectives – to obtain a growing business and settle a solid customers base, LevelUp founders planned to have a growing profit rate of 10% per year. This growth will not only enable LevelUp Company to cover the costs and fair salaries to employees and co-owners, but to obtain funds for holding gaming contests and competitions.
- Marketing objectives – beating LevelUp Company's direct competitor is becoming the most essential objective. Even though Blackstorm lan-café is providing lower prices for hour of gaming, LevelUp Company is going to compete by providing better equipment, in the better location. Besides, obtaining contracts with food suppliers like Kotipizza and Hesburger. Moreover, wide marketing campaign is going to be expanded right before the opening, to inform potential customers about LevelUp place.
- Social objectives - creating solid customers group as well as strong customers' equity is the main objective from the marketing part of view. In order to bring these goals to the real company's strength, top quality equipment is going to be ordered and brought to Finland, as well as huge variety of games for PC, X-box and PS4 are going to be granted to the customers.

3.3.7. Exit strategy

Different situations might occur while business is operating. To be prepared for any of them, exit strategy must be created. There can be different situations, why you want to give away or even close your business. There are different ways of dealing with the business in different situations.

If the business is not doing well the decision can be made to sell it or even declare bankruptcy.

If an entrepreneur decides to exit the business, he/she has several ways of doing it. They are: (Zimmerer and Scarborough, 1996):

- Sell the business to an outsider – difficult procedure, where all documentary is needed to be prepared. All financial records should be gathered as the buyer needs to see what is the company is from the inside view. Time of selling the company is

to be chosen accurate as well, because a “last minute” sale can cause a serious reduction in the company’s price.

- Sell the business to an inside group of managers or employees – such way of exit strategy appears if there are no outsiders willing to buy the company as well as no relatives are willing to take the ownership. There are three main ways how to sell the company to the inside buyer. They are *Cash Plus Note*, *Leverage Buyout* and *Employee Stock Ownership Plan*. *Cash Plus Note* is selling the business for a specific money amount. Besides, “a seller holds a promissory note for the major part of the price.”(Zimmerer and Scarborough, 1996). In addition to feeling safe for a business that is sold for the people an entrepreneur was working with, it will be even possible to keep a place in the board of directors to help new owners and hold them on the right track. *Leverage Buyout* was a popular way of exit strategy in 1980s. Many entrepreneurs were creating their businesses and after putting it on a solid ground they sold it to management and employees. To cover the costs of buying the company employees borrowed money to pay for the total-agreed price. *Employee Stock Ownership Plan* is the longest but most safe and profitable way of an exit strategy for both sides. Employees and managers buy company steadily.

In the cases with small businesses it can be hard to afford inside buyout, so it is needed to be thought beforehand how the business will attract outside buyers.

However, there can be cases when the business did not run well, and no profits were generated. In such cases an entrepreneur can decide to declare bankruptcy or liquidate the company.

“*Bankruptcy* is a legal process of closing a company when it is not possible to repay debts. If a company has no cash to pay off, firm’s assets are measured in order to repay the debt by selling company’s assets.” (John Ventura, 2004) Filing for bankruptcy can be a way of saving the company from losing even more money, when all actions of managers and board of directors did not bring the situation to the opposite situation.

“*Liquidation* is a process when holders of common stock are entitled to share in all assets remaining after creditors and any preferred stockholders are fully repaid.” (James Lehman, 2004)

In other words, it is an action when the company’s (or company’s part) assets are sold and used for covering debts, and all cash left is distributed between shareholders of the company.

3.4. Location, timetables, staff and equipment

LevelUp is planned to be located in Helsinki city center to address the major part of young people population in the capital area. The location is also chosen due to good transport connection and the popularity of the city center area for amusement and entertainment purposes.

LevelUp cyber-sport and the Internet café will be equipped with the following gaming and the Internet surfing stations in the following amount:

- Highly-equipped gaming PCs – 12 stations
- PS3/4 stations with two seats sofa and 46' TV set – 4 stations
- X-Box 360/One stations with two seats sofa and 46' TV set – 4 stations
- The Internet surfing stations – 5 stations
- LevelUp game odium with 10-12 seats and 1 video projector – 1 piece

All these facilities will be available for the customers on 160-180 m2 equipped premises in accordance with the following timetable:

Monday-Thursday: 12:00 – 02:00 (or, till the last client)

Friday-Saturday: 12:00 – 04:00

Sunday: 12:00 – 12:00 (or, till the last client)

Thus, according to the café's working hours, the place will be available for its customers around 84 hours a week.

In order to fulfill and satisfy customers' expectations and needs, the staff of the company will include the following:

Chief Financial Officer, co-owner – Viktor Zhak

Chief Marketing Officer, co-owner – Ilya Sokolov

Technical Support Managers/Customer Serving Managers – 2 employees.

3.5. Marketing Strategy

Strategies are chosen only after all objectives are set, to be sure of choosing the proper marketing strategy for reaching the aims in the most fast or the most convenient way. Marketing strategy is a foundation for a marketing plan and it can be defined as: "Marketing strategy is gathering all goals and inlays them into one plan. A good marketing strategy

should be aimed on accumulating profits by following the market research plan and focusing on the marketing mix produced for the entire business.” (McDonald and Payne, 2011).

There several core strategies that are focused on different objectives that can be set. Each strategy can be used by a company in different situations and markets, but there are several basic strategies, that can be enumerated: (Brassington and Pettitt)

- Competitive strategy – is aimed on the tough competitive environment, where it is really important to stay in trend and be aware of all new-born technologies;
- Branding strategy – if a company choses to use this type of strategy, it wants to create a strong name. It can be just a catchy slogan or logo. As well, some companies can use “well-known faces” or celebrities to brand the name of the product;
- Positioning strategy – in this strategy a company is trying to be present in the same places where their competitors are. On the same shelves in the store, in the same bars, cinemas, etc. However, it can be an opposite situation, when a company does not want to see their products on the same places with competitors’;
- Segmentation strategy – such a strategy is used to define a target market by dividing a population into segments by several criteria, like age, gender, preferences, etc.

All marketing strategies are used to let the business grow and develop, as it is the main aim of every business. Each company needs to follow the development of itself, so possible combinations of the development (or non-development) can be illustrated in Ansoff Matrix.

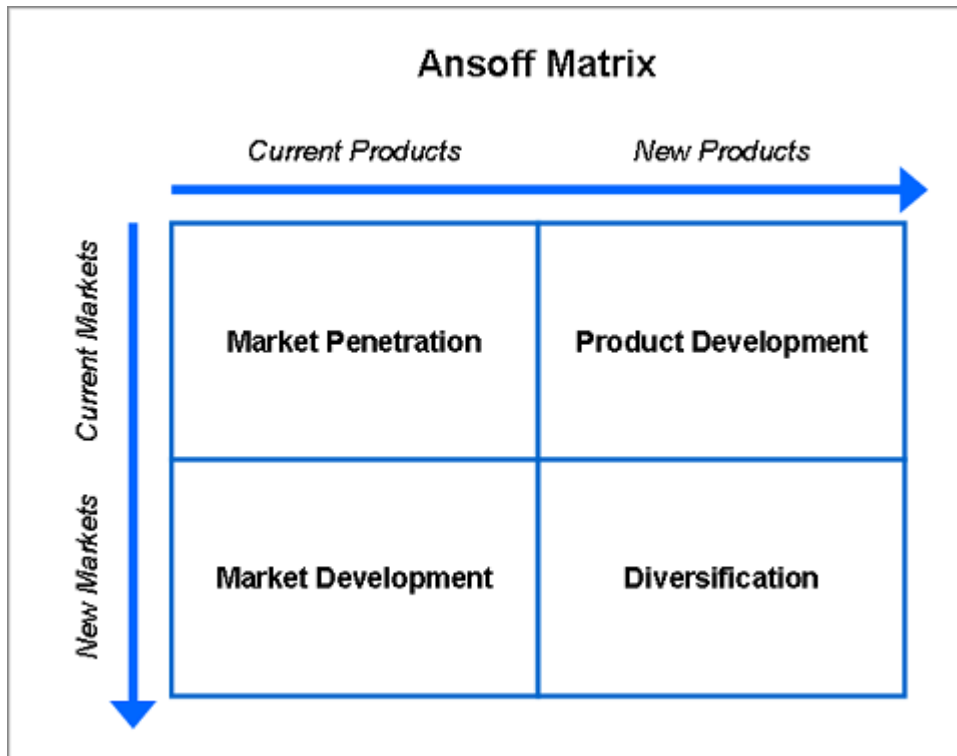


Figure 1, McDonald and Payne, 2011, p. 59

This figure can help a company to realize which way it wants to go and to take a proper strategy for it.

Due to the researches presented in the business strategy chapter, LevelUp Company is going to follow a strong branding strategy. By claiming this, founders mean that solid brand will be created by the quality that is going to be the main aspect in competitive rivalry. Going deeply in the strategic marketing planning, LevelUp Company is going to use the format that is provided below:

- Competitive strategy – Having one competitor enables LevelUp Company to pay less attention to this strategy. When more competitors appear on the market and the competition becomes tough, LevelUp Company is planning to have a customer's group with strong perception about the LevelUp gaming café.
- Branding strategy – Creating a strong brand name is the main consent for the LevelUp founders. As a company is planned to become the leading gaming club in Helsinki, holding tournaments and contests, catchy logo for the LevelUp brand is going to be created. Besides, huge marketing campaign is going to be launched in order to get the attention of the potential customers. Finland is a country where computer games are only becoming popular and Finnish gaming community is beginning to appear on the

world electronic sport stage. To promote this process, LevelUp Company is planning to invite e-sport celebrities in order to get more customers' attention.

- Positioning strategy – LevelUp Company's founders are planning to locate the LevelUp gaming café in the center of Helsinki, in order to get a better customers' flow than the competitor. Due to the positioning strategy of the company, prices are going to be higher than the competitor's in response to better quality of service and higher efficiency of the gaming machines.
- Segmentation strategy – LevelUp gaming café is going to divide potential customers into groups by two factors:
 1. Age groups – the main age groups interested for this kind of service as hourly paid gaming machines are people (mostly male) from 15 to 20 and from 21 to 30. In response to the research conducted (Appendix 30) games are going to be ordered to satisfy these age groups;
 2. Awareness about the industry – based on the industry research, gaming segment of entertaining industry is growing in Finland. In behalf of it, advertising campaign is going to be launched to catch the attention of both experienced gamers who want to get into a competitive sphere and newcomers who have a will to try some games on and decide which platform to buy for their home use.

Marketing plan

For the successful LevelUp Company launching, founders introduced several researches to plan the business properly. In the following part of the chapter marketing plan is going to be discussed. Plan will be separated into two main parts:

- Products and services
- Target market analysis

Each part is going to be presented and evaluated basing on the founders' vision on the LevelUp Company, industry analysis and target market analysis.

Products and services

LevelUp Company would be a service providing company operating on a similar principle as bowling centers are doing. In other words, the final product is an astronomic hour (60 min) usage of specialized for gaming as well as the Internet surfing equipment/tools in suitably

organized place. In addition, the secondary products will be available. Thus, the product list includes:

1) Gaming hours – main product

The gaming hour is the core product for the entire business idea. By paying for 1(one) astronomic hour, a customer gets an access to one of the offered gaming stations (including such gaming stations as PC, PS3/4 and X-Box 360/One consoles) for 60 minutes.

2) Internet hours – secondary product

The Internet hour is the secondary product for the entire business idea. By paying for 1(one) astronomic hour, a customer gets an access to the PC or laptop with a high-speed Internet connection for 60 minutes.

3) Snacks and drinks – additional product

Snacks and drink are the additional products for the entire business idea. The customers can get their snacks and/or drinks from set on cyber-sport and internet café territory vending machines as well as order from few partnering companies such as Kotipizza, Hesburger. Among the drinks, the founders consider an option of providing alcohol beverages to late evening and overnight customers above 18 years old, if needed licenses would be obtained.

4) “LevelUp Game Odium” – additional product

“LevelUp Game Odium” is the additional product for the entire business idea. “LevelUp Game Odium” is an auditorium with video projector and cozy seats which allow customers to watch different cyber-sport events (matches and championships among gamers) for entering fee. The principle is the same as in cinema industry. The “LevelUp Game Odium” can also be rented for special events.

Target market analysis

Company’s founders conducted quantitative research in the GameStop store, in order to get the picture about the buyers’ habits and potential customers. A sample of 109 people was asked 15 questions about gaming habits, preferences and attitudes for games. All replies were gathered and processed. In order to form the product package, survey results were formed as tables and pie charts. Outcomes provided below are going to represent the results of the questionnaire.

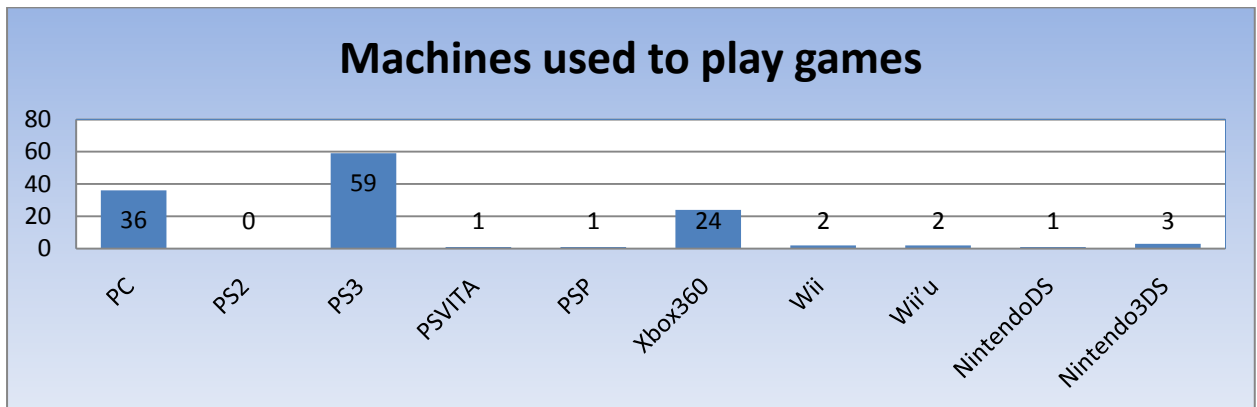


Figure 2, Choice of gaming machines.

According to this figure, most popular gaming machines are PC, PS3 and X-box 360. Due to these results, founders of the LevelUp Company decided to equip LevelUp gaming café with 12 PC stations 4 PS4 and 4 X-box one stations. The amount of PC was chosen to be 12, as the main differentiation strategy is going to be the top quality PC gaming machines, which most people cannot afford to buy as stationary home computers. PS4 and X-box one would be proper gaming stations for LevelUp Company due to the fact, that PS3 and X-box 360 are not the latest gaming consoles anymore, and the policy of the company is to provide only the best.

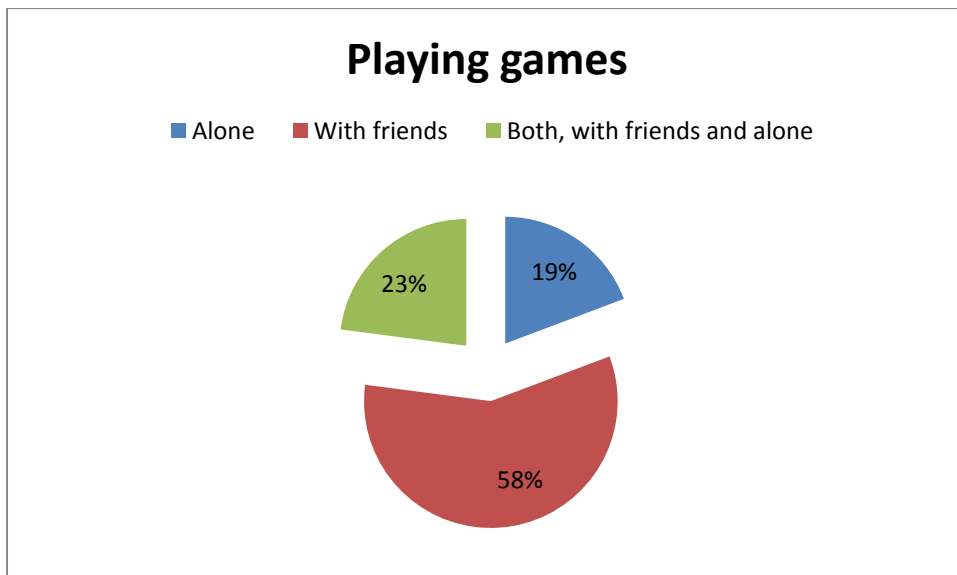


Figure 3, Playing habits.

Owing to the table above, most part of the respondents are playing games with their friends. Besides that, game choices of such people are those games that involve fully interaction or bring a competitive spirit within the players. Basing on this assumption, LevelUp gaming café is going to have multiplayer and online games to satisfy needs of the largest group of target customers. Single player games are going to be present as well.

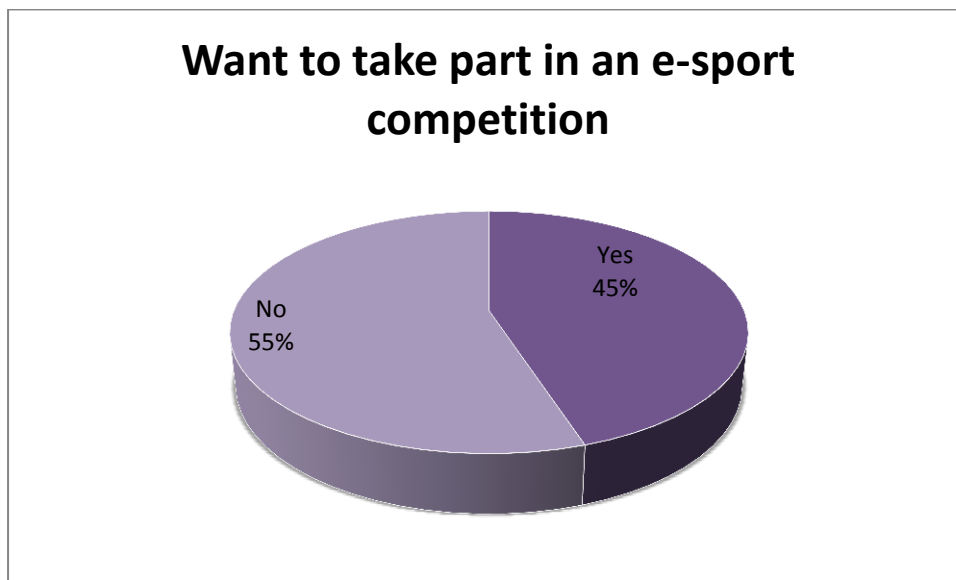


Figure 4, The willingness to participate in e-sport competitions.

According to the table above and growing interest in gaming industry among Finnish people (Figma, statistics on the games' purchase), founders of LevelUp Company are planning to provide the customers with two totally new gaming services: LevelUp Odium and e-sport competitions holding. LevelUp Odium is planned as an additional service. Odium would be a special room having a projector and 10 comfortable seats for watching electronic sport events. Having such place will not only provide LevelUp's public to follow their favorite e-sport competitions, but to stay informed about the latest gaming contests in the world. Moreover, some broadcasting is going to be free, to attract new potential customers. Another founders' marketing idea is to hold electronic sport competitions. This would not only attract gamers who would be willing to participate, but their friends that might be or become interested in gaming industry while watching. Small tournaments are going to be held during the whole period of LevelUp gaming café operation time, but the huge tournament would be carried out in the third year of operating. 15 000 Euro would be spent on the marketing campaign and 7 000 Euro would directly go for the price pool and competition holding.

3.5.1. Industry trends

Finnish gaming industry is a huge business. There are many game shops all over the country and sales over 95 million Euros for the year 2011. This industry is growing worldwide and more and more attention is paid to the electronic sport events, some of them were even transmitted on the national TV channels (for instance in Sweden, DOTA 2 International grand finals, the prize pool was more than \$1.5 million for the first place and \$0.5 million for the second place). LevelUp café is going to operate in the entertaining and gaming industry. In order to produce an accurate and wide view on the industry, several competitive forces are going to be used:

- **Possible barriers to entry.** There are no barriers to open a Gaming café, as there are no law prohibitions. As well due to the statistics, turnover of the game sellers from the year 1999 was growing from year to year, with small fluctuations in the years 2009 and 2011. (Figma, Statistics.) The growth of buyers' activity represents up going interest for games, which means that from year to year more Finnish people become connected with gaming industry as direct gamers. The business idea of the LevelUp gaming café is to bring more people a possibility to get connected with the gaming industry and help gamers to find people with game interests' correspondent to theirs. From the financial and legal sides of the business, LevelUp Company will be legal and will not face any problems concerning legal rights of the game developers, as all games are going to be bought from the stores as well as from a specialized online environment (Steam). A special contract will be signed with Steam in order to obtain rights to provide games to people to play in the LevelUp café. LevelUp café is going to have only one direct competitor, but the LevelUp brand identity is unique, providing top quality service and machinery.
- **Threats of substitutes.** The most important concern in this part of the industry analysis is buyers' loyalty. Due to the research that was conducted in the "GameStop" situated in Kamppi, Helsinki customers are willing to have a gaming café in Helsinki, where they will be able to play with friends, compete with other gamers or test new games and equipment. More than 60% of the respondents said that such a place is needed to be in Helsinki area and they will attend it personally (Appendix 26, GameStop research). The main threat for the LevelUp Company was Blackstorm lan-

café, the only direct competitor. Prices were claimed to be lower in Blackstorm lan-café, but the conducted research revealed, that nobody was aware of the lan-café, that was existing. From this point of view, LevelUp café is planning to have more marketing and advertising programs to let the customers know about the place. Speaking about other substitutes of the LevelUp café, there are no direct ones, but such indirect like cinema or clubs should be also taken into consideration. The target customers' market can correlate within LevelUp and cinemas etc., but operational spheres are not connected.

- **Rivalry among competitors.** Having only one direct competitor bring several opportunities for the LevelUp Company. First of all, mistakes made by the competitor can be tracked and improved to make LevelUp launching better. To obtain a competitive advantage, LevelUp Company is going to buy the best gaming stations and the place itself is going to be bigger. Second competitive advantage should be the place, where the gaming café is going to be opened. Situating closer to the Helsinki center provides bigger customers pass through. Moreover, Blackstorm lan-café, which was operating for more than a year, has no customer recognition, as the most part of the survey respondents had no idea about Blackstorm and were responding positively for opening LevelUp gaming café.

To summarize the above provided analysis, LevelUp gaming café is going to be opened in the right time, as the interest for games in Finland is growing as well as worldwide electronic sports competitions attracts more and more attention. Finland as a country has a world class team under the label of “Menace”. Gamers from the team Menace compete in the world arena in several game disciplines, like Halo, FIFA, DOTA2 etc. All these factors bring the understanding of necessity of opening a gaming café, in order to promote Finnish gamers to go on the world level and compete with other worldwide known teams. LevelUp Company is going to provide Finnish gamers a place, where they will be able to communicate with each other, play and make teams, feel the atmosphere of competition and get the excitement of a win.

From the side of the gaming industry, it is conducive to open a gaming café in Helsinki. But opening such a café meant to follow into one more industry – entertaining industry, with all restaurants, bars, bowling and cinemas. Competition here is much tougher and specialization of the business is narrow. Gaming café can have correlations with the target markets, but if a person wants to go out and watch a movie, he/she will not go to the LevelUp to play a game.

Same approach will work in the opposite way. LevelUp gaming café is going to occupy the niche in the entertaining industry.

3.5.2. Customer Analysis

Conducting a target market analysis is a core base of creating a business. To distinguish LevelUp Company's target market and understand what it demands most, the quantitative research was conducted in one of the "GameStop" in the city center of Helsinki. The sample was 109 people of different age groups that answered the questions concerning their gaming habits and preferences. All data was gathered, sorted and a table was produced to get a clear picture of the customer. (Appendix 34-41) "GameStop" was chosen as a place of research conduction, as all LevelUp Company's potential customers are people that play games. Besides, as LevelUp gaming café is planned to be opened in the center of Helsinki, so it provided an opportunity to overlook the approximate number of potential customers flow. The results of the survey appeared to be auspicious, as most of the questioned people were willing to have a place in Helsinki, where they will be able to play video games. Due to the statistics, 64% of interviewed people gave a positive feedback for the opportunity of having a gaming café. Moreover, 16% of people who answered "no" for getting an opportunity of having a gaming café, still can become possible customers, as they claimed to have a will to participate in e-sports competitions, and one of the core ideas of LevelUp Company is to carry and lead such competitions. Several core factors describing out potential customers will be provided:

- **Age groups:** Due to the conducted research, most of the questioned people were from 15 to 20 years old (38%) and from 21 to 30 years old (45%). Most of these two customer groups were positive about LevelUp Company appearing.
- **Gaming consoles.** Most of the target customers use PC, PS3 or X-box360. Moreover, a number of questioned people are willing to play on several consoles, but have no opportunity of doing it, as there is no use of buying a gaming PC or PS3 as it costs a lot. For this reason, LevelUp café is going to provide all the most popular gaming consoles with the newest and best games, to satisfy customers' needs.
- **Gaming habits.** Relying on their own experience and conducted research results, founders are confident that in most cases games played by potential customers are

socializing games, so customers tend to play them online or with friend. Therefore, in LeveUp, there will be an unlimited ability to socialize through the gaming process with other people. Besides, the customer can have both time and will to play, but due to some circumstances no ability. In this case, LevelUp gaming café can become a place where such person can come, play his/her favorite game and relax.

- **Time spent on playing.** Referring to the research results, most of the respondents spend their evening time on playing games. Besides, weekly time spend on games fluctuate from less than 5 to 20 and prefer to play with friends, so it can be assumed, that potential customers tend to gather with friends when it is possible. LevelUp gaming café will provide an opportunity to play customers' favorite games with friends, in more comfortable atmosphere, giving a feasibility of combining video games, meeting friends and having café quality snacks.
- **Values for the target customers.** LevelUp Company's potential customers tend to buy games each couple of month or even more frequently. This means, that they prefer variety of games and their quality more than price. Customers want to get the newest games right after they are published. LevelUp gaming café will receive all new released games on the first day, so each customer that comes to LevelUp café will have a possibility to try the newest games before the initial buying.

Besides gamers who got used to play games for now, there are people who are thinking about gaming as a hobby or are willing to try some game due to the interest, but they have no opportunity. This assumption is based on a survey made by LevelUp Company founders using Figma. Due to the statistics, the amount of games bought is growing, which means that people's interest is growing steadily from year to year. If the tendency is going to follow the same path, more people are going to participate in electronic sports and game playing. From this angle, LevelUp gaming café is going to provide a future gamer a chance to see what games are, to try them on and to get involved with gaming industry. Such actions will bring the potential customer an understanding if he/she wants to buy PC or any gaming console, what games' genres are more interesting to a customer personally.

3.5.3. Competitive Analysis

Competitors are companies operating in the same industry and providing the same or similar product or service to the customers. There are two main types of competitors:

- Direct competitors – are those competitors that operate in the same industry and produce similar products. For example Coca-Cola and Pepsi.
- Indirect competitors – are those firms that operate in the same industry, but can provide different products or have some similar products. For example cinema and restaurant. Both of these places attract people who want to spend time with their friends in the evening, but they provide different services.

LevelUp Company will operate in entertaining sphere. As LevelUp Company is going to have only one direct competitor in the industry, the research was produced for all indirect competitors as well. That's why we made an analysis of all other possible variants of how the initial customer can spend his/her time besides coming to LevelUp. Most famous and the biggest entertaining centers were taken into consideration. One of each types of possible alternatives were chosen (Bowling, Billiard, cinema, karting, Apollo club, Attraction Park, "Megazone", Internet café M-bar and one direct competitor Blackstorm lan-cafe)

In the following part all direct and indirect competitors will be reviewed.

- Blackstorm lan-café. The only direct competitor of the LevelUp. This café was operating since 2012 year, but for the current moment it is closed for renovation. This gaming café is providing gaming hours for PC's as well as X-box 360 as a main product. Besides, drinks are sold inside and snacks can be bought from the café-bar nearby. The amount of gaming machines was 10 PC's and 5 X-box 360. The price for 1 gaming hour was 3 Euro and their open hours are:

Mon-Fri 8-21,

Sat 8-18,

Sun 11-18.

- Apollo club. This is LevelUp's indirect competitor. It is club and café that provides life concerts of music bands as well as regular dancing nights as a main product. In the day time, Apollo work as a restaurant. The average entrance fee for the club is 15 Euro. Open hours:

Club

Restaurant

Mon-Thu –

Mon-Thu 11-21

Fri 22-04

Fri 11-04

Sat 22-04

Sat 14-04

- Kampin Kielahalli and Bar. Situated in Kamppi, this is a bowling center and café-bar. As for the main products it is providing bowling rows, the price for 1 row is from 28 to 49 Euro per hour. Besides, each person coming will have to pay a special 5 Euro fee to get bowling boots. As additional services drinks and meals can be served. Kampin Kielahalli can fit almost 80 people in the same time. Working hours:

Mon-Tu 11-22

Wed-Sat 11-24 (01)

Sun 12-20
- Corona Baari & Biljardi. Situated in the center of Helsinki. Corona is a place, where the main products are food and billiard. The price of 1 hour of billiard can vary from 9 Euro to 13. They serve drinks as well. The place is big, it can fit around 100 people. All activities in Corona are connected, as a customer can play billiard, eat or have a drink during their working hours. Working hours:

Every Day 11-02
- Finnkino. A huge cinema hall, having several cinema galleries, minimum fit of 75 people and the maximum is 500. For the main product, the ticket price is 10-15 Euro. As for additional services, Finnkino provides huge variety of snacks, drinks, films' connected souvenirs and gaming machines. Working hours:

Mon-Fri 9-21,

Sat 9-18,

Sun 12-18
- Cart'in club. Main product is indoor and outdoor carting for children and adults. The price is 120 Euro per hour for an adult (minimal time is 10 minutes). As secondary products this club provides parties, food and drinks. Cart'in can fit around 100 people in one time. Working hours:

Mon-Fri 14-21

Sat-Sun 11-19

- Liinanmäki. Huge Fairy park with big variety of attractions and games. The price is 37 Euro per person (full day ticket). Besides different attractions there is a big choice of bars, cafes and shops. Almost no limits in the people flow in the park. Working hours in summer:
Mon-Thu 11-21
Fri-Sat 11-22
Sun 11-20
- Megazone. Huge entertaining center with the Laser “paintball” as a main activity. Drinks and food are provided as well. There is also a possibility to reserve the whole center for a party. The price is 16 Euro per hour. The capacity is not so big, 32 people in the game. Working hours:
Mon-Fri 13-21
Sat 11-21
Sun 12-18
- Mbar. A small café providing snacks, drinks and internet situated in Mannerheimintie. Customers also can come to listen to music and dance, as special evening are arranged. In summer, the terrace is rather big, but in cold times, the inside place can fit maximum 30 people. Internet access cost 5 Euro per hour. There are 6 iMac computers. Working hours:
Mon - Tu 09–00
Wed - Thu 09–02
Fri - Sat 09–04
Sun 12–00

3.5.4. SWOT Analysis

Due to Phillip Kotler, one of the authors of Marketing management, SWOT analysis is strength, weaknesses, opportunities and threads of the firm. While making SWOT analysis, research can be divided into two parts:

- External environment – consists of opportunity and threat analysis. Both parts of external environment can be transformed into internal environment (strengths and

weaknesses), if the company will or will not take actions to support opportunities or prevent threats.

Opportunities are those factors of a business, which ideally should be transformed to strength by managerial actions of a firm. From the company's point of view, each opportunity is a way to improve the business, bring some new competitive advantages.

Threats are factors that company do not face in the current stage, but which can possibly appear in future. As they are external, company only can try to protect itself from the damage that will be caused, if any of the threats occur.

- Internal environment – consists of strength and weakness analysis. Both these factors are inner company and influence company's performance directly. It can be structure of a business, employees working, price system or any part of a corporate strategy.

Strengths are features of the company that provide an advantage over other competitors.

Weaknesses are those factors, that the company needs to improve or specific spheres where it needs to catch up with other firms operating in the same industry.

SWOT analysis of LevelUp Company was conducted in order to estimate firm's Strengths, Weaknesses, Opportunities and Treats. Right after both internal and external environments would be identified, each positive and negative aspect is going to be analyzed and discussed. Projected SWOT analysis of the LeveUp Company is going to be provided below.

	Positive	Negative
Internal	Strengths: <ul style="list-style-type: none"> ● Gamers' demand awareness ● Long working hours ● High tech equipment ● Good location 	Weaknesses: <ul style="list-style-type: none"> ● Relatively high price ● No professional experience ● No brand recognition
External	Opportunities: <ul style="list-style-type: none"> ● Supplying players with new game playing opportunities ● Growing interest in video gaming industry ● Creating a strong brand equity 	Treats: <ul style="list-style-type: none"> ● Changes in gaming trends ● Customers have their own computers at home

Figure 5. SWOT analysis of the LevelUp Company.

SWOT analysis produced for LevelUp Company is display the estimated aspects of each part both in internal and external environment. Discussion would be divided into two parts and assessment would be provided for each aspect.

Strengths

The first strength that is going to be discussed is going to be high-tech equipment provided for gamers in LevelUp café. People playing video games are always searching for the high quality of graphics, music in games and no delay picture in online games. Due to this reason all gaming machines (PC, PS3 or PS4 and X-box 360 or X-box One) will have the best filling inside. For instance, the price of one gaming PC would be over 3 000 Euro. It is obviously a huge price for a computer station. Due to this reason very small amount of people have an

opportunity and will to buy such expensive machines for the home use. That is the reason why a gamer would appreciate LevelUp gaming café equipment, its quality and design.

Secondly, the location of the gaming café is going to be a clear advantage over the competitor. Placing LevelUp gaming café in the city center would provide extensive customers' flow and the LevelUp brand would be noticeable. Moreover, good traffic connection is an advantage, as all potential customers would be able easily to reach the gaming café and return home after playing. Besides, it was planned to have agreements with Kotipizza and Hesburger, so locating the café in the city center will ease and fasten the process of delivering food to LevelUp gaming café.

One more significant strength is long working hours. Different people have different working schedules and individual leisure time responsively. Due to this reason, long working hours of LevelUp café would provide customers more convenience in choosing time to come to the gaming café. From the company's point of view, long working hours are going to bring bigger customer flow and enlarge the amount of people who are willing to come and play. Besides, several days a week, LevelUp gaming café is going to be opened till the last customer, which means that people can come alone or with friends to spend a gaming night.

The last strength, but not least is that founders of the company are aware of gaming trends and customers' current demands. As well, as being involved in the gaming industry, future projections on demands can be forecasted. Besides the current demands, founders of the LevelUp Company are capable of providing the service that customers are willing to get through obtaining the latest games in the time of the official games' issuing.

Weaknesses

The most evident weakness of the LevelUp Company is founders having no professional experience in running a business. Founders are not aware of the cornerstones of the business environment and are not knowledgeable of sustainable development of the company.

Second weakness is high priced compared to the competitor. LevelUp café set the price for one astronomic hour of playing to be 10 Euro, while the competitor's price before closing on renovation was 3 Euro. This can detract customers' attention from the LevelUp gaming café. Even though the location and quality of equipment are advantageous for coming to LevelUp, price can become the decisive factor for a part of the market.

Apart from other weaknesses, no brand recognition can become a problem for LevelUp gaming café. Customers need to get aquatinted with the brand in order to become interested

in coming to the LevelUp gaming café. To solve this problem, an efficient marketing campaign would be conducted.

Opportunities

One of the main opportunities of the LevelUp Company is customers' growing interest in video games industry. Moreover, more and more people are willing to participate in electronic sports competitions, and LevelUp gaming café will provide a specialized place to hold and watch such competitions.

Creating strong brand equity is one more opportunity for the company, as obtaining a good image and stable brand, customers will not be much sensitive to the price, as well, attending LevelUp gaming café will become an adventure for a customer. In order to create a long relationship with the customer, club cards will be issued and distributed within customers who attend LevelUp gaming café constantly.

LevelUp gaming café is providing a new opportunity of playing games and communicating with other gamers. High-tech gaming machines would give a chance to play any game that customers prefer with the top graphics and in the appropriate gaming atmosphere.

Threats

Many potential customers have a gaming machine at home, so LevelUp founders need to create a proper marketing campaign to give people an understanding why coming to the gaming café is a place to spend customers' free time in the gaming café.

Another threat is changing gaming trends in the industry. There is a possibility that due to the development in the gaming industry, games will be changed. The probability of such trend development is not big, but if it happens, it can cause LevelUp gaming café a need to change its policy.

3.5.5. Results

After conducting the empirical researches, quantitative customer analysis, industry analysis and competitors' analysis, it appeared that LevelUp Company is a right business to launch, as it will appear on the market in the right time and the amount of customers in the growing industry is becoming more and more extensive. Summarizing for all analysis is going to be provided below:

1. Competitors' analysis – The only direct competitor is not operating in the industry, as the place is closed for renovation. Besides, having a wrong advertising campaign caused no awareness about the place via the potential customers. Moreover, right location and high quality of the equipment in LevelUp gaming café will bring the competitive advantage over the Blackstorm Lan-café, even though their prices were lower before the renovation. Speaking about the indirect competitors, as the entertaining industry is wide, there will be a poor contact within the customers groups.
2. Industry analysis – LevelUp Company will be able to get the niche in the gaming industry, with wide range of customers. Moreover, having no entrance barriers, neither from government nor from legal conditions bring the founders of LevelUp Company a possibility to enter the business fast and rapidly get customer base.
3. Customers' analysis – There are going to be several different target customer groups, not only gamers that want to participate in competitions, but also people who just want to spend their free time with their friend playing new games in the original gaming atmosphere. One more customer group is going to be newcomers in gaming industry. LevelUp gaming café will provide them a chance to try all the most famous gaming consoles and choose the one a person likes most.
4. SWOT - LevelUp Company has a huge opportunities and strengths. Weaknesses of the company are connected with the competitors, but founders of LevelUp gaming café would have a possibility to prevent losing customers.

To conclude the above said, LevelUp Company seem to have a flourishing future, if the marketing campaign will reach the target customers, as there are no restrictions and limitations for opening a gaming café in Helsinki, Finland, where the interest for gaming is constantly growing.

3.6. Financial data

This chapter contains the information about all financial findings related to LevelUp Company establishment and running. The chapter will provide an overview on costs, pricing and breaking even point, funding options, NPV calculations.

3.6.1. Costs

Since the market has been segmented and analyzed, demand has been identified; LevelUp's next step is to estimate how much capital the founders would need to establish the company and run it until it starts to bring some profit.

In this order, the initial research on the related costs has been conducted and numbers have been totalized.

This chapter will provide a closer view on costs associated with LevelUp Company (gaming café also known as cyber cafe) registration, launch, promotion and running for the first time. Precise and detailed financial and costs planning would not only help to predict whether the business idea is worth to be converted into a real business, but also a good tool to attract or bore potential investors. "Sophisticated investors know that estimates are only estimates, but the ability to demonstrate to those evaluating the venture that all costs of development, startup, manufacturing, marketing, and distribution have been included increase the credibility of the entrepreneur" (Zimmerer, Scarborough, 1996)

From here onward, the known costs would be named and described after what the total calculations are done and announced.

Administration

The very first step for any company is to get its own identity, so that it can start purchasing the needed equipment and sign the contracts with other companies. Company declaration and LLC registration, according to the Finnish Law, requires a minimum starting capital of 2 500€. Hence, notification fee is also collected in the amount of €380+€95.

However, these €2 500 and handling fee would be a cost only for the founders as long as since it has been put into the company as equity capital, it can be used to cover some other company's costs to create the cash flow.

Rent

According to estimate calculations and equipment placement planning, LevelUp Company would need to rent facilities with the total area of 160-180 square meters. The research on facilities availability and prices has been conducted and the following data has been gathered.

Location of the facilities: Helsinki City Center, Kamppi

Average rental price: €3 500 - €4 000

First instalment and deposit: 3 months

Thus, the initial cost for rent and deposit would be the rental price multiplied by the number of months required to be paid or,

$$€4\,000 * 3 = 12\,000€$$

Leasehold improvements

Obviously, some renovation might need to be done before the actual opening independently on how good and fit the place is. Therefore, some reserve money would be kept for that purpose. The reserve for cosmetic renovation, according to the financial estimates, is €15 000.

Equipment

The equipment for LevelUp Company plays the most important role by reason of equipment being the main service provided by the company. In other words, the company cannot provide any service without proper equipment.

According to estimate calculations the total equipment cost would be €125 349. More detailed information on the items and their prices could be seen in the tables below. The first table will give an estimate cost of machinery and furniture, whereas the second table will give the information on the cost for games to be available for the gamers.

Table 4, Equipment costs

	Description	Amount	Est price	Subtotal
Console screens	42"/46"	8	€ 459.00	€ 3,672.00
Chairs for console	1 seat	16	€ 75.00	€ 1,200.00
TV tables	*	8	€ 99.00	€ 792.00
Hanger, clothes rack, stand	*	5	€ 60.00	€ 300.00
Chairs	for gamers	12	€ 85.00	€ 1,020.00
PC tables	for gamers	12		€ 200.00
NET tables	*	5		€ 200.00
Net chairs	*	5	€ 70.00	€ 350.00
Net-users' machines	19"	5	€ 700.00	€ 3,500.00
Manager chair	*	1	€ 70.00	€ 70.00
Manager table	*	1		€ 1,000.00
User screen	*	1	€ 900.00	€ 900.00
Xbox One (? price)	max load	5	€ 300.00	€ 1,500.00
PS3	max load	5	€ 449.00	€ 2,245.00

Mouse, Razer	with pad or not	13	€ 150.00	€ 1,950.00
Headphones, Razer		13	€ 200.00	€ 2,600.00
Pads	*	13	€ 50.00	€ 650.00
Alieware SET	everything is included, mouse, keyboard, screen	12	€ 5,000.00	€ 60,000.00
Projector		1	€ 1,500.00	€ 1,500.00
Odium Seats	10 seats, total			€ 4,000.00
TOTAL				€ 87,649.00

Table 5, Games costs

Sets	Platform	Pieces of games	Average Price	Subtotal
12	PC	35	65.00 €	27,300.00 €
4	X-Box	20	65.00 €	5,200.00 €
4	PS4	20	65.00 €	5,200.00 €
TOTAL				37,700.00 €

To clarify, Table 5 shows the total cost of games need to be purchased. As was mentioned in the previous chapters, in order to meet the legal requirements, LevelUp Company has to purchase the same game multiplied by the number of machines. In other words, to have one game on several PCs, multiple amounts of compact discs with the game on them must be bought.

Overall, by summing up €87 649 and €37 700 the total of €125 349 is popping up.

However, some of the items included in the equipment list can be purchased on credit from 6 to 12 months, what, obviously, significantly diminish initial spendings.

Promotion

As for marketing and promotion, the founders considered different options. Nowadays, there are many companies in Helsinki and the Capital Area which offer such service. However, the founders have decided to use JCDecaux Oy Company to advertise the service. The following options were chosen to promote the opening:

Table 6, Metro poster Campaign, (JCDecaux, 2013)

Metrojuliste

Kampanja-aika (vrk)	Mediahinta	Kiinnitys ja huolto	Yhteensä	CPT	VAC-totaalikontaktit	VAC-peitto	VAC-toisto	Paikkakuntien lukumäärä	Esimerkki-julistemäärä	Julistekoko
14	4 640 €	575,36 €	5 215,36 €	n/a	n/a	n/a	n/a	1	432	50.0 x 70.0 cm

Table 7, Metro End Wall poster Campaign, (JCDecaux, 2013)

Metron päätyseinä

Kampanja-aika (vrk)	Mediahinta	Kiinnitys ja huolto	Yhteensä	CPT	VAC-totaalikontaktit	VAC-peitto	VAC-toisto	Paikkakuntien lukumäärä	Esimerkki-julistemäärä	Julistekoko
14	6 100 €	756,4 €	6 856,4 €	n/a	n/a	n/a	n/a	1	42	284.0 x 101.0 cm

Also, the information boards and/or desks might be considered to be placed in hot points (like game shops, etc.). Furthermore, some mutual agreements on promotion might be settled with GameStop and/or other retail game stores. Thus, the total planned budget for marketing campaign would not be more than €12 100.

In conclusion, the total estimated costs for registration, launch, promotion and running for the first time have been computed and summed up to:

$$Total = €2500 + €12000 + €15000 + €125500 + €12100$$

$$Total = €167\ 100$$

Running costs

The running costs were subtotaled to the costs which would be covered by money from the sales. The reason for these judgments is in the fact that all the bills are paid at the end of the month except for the rent costs.

The founders have identified the following running costs the company's operations have to cover:

- Employees' salaries;
- Founders' salaries;
- Variable costs (water, electricity, etc.);
- Other costs (coffee for customers, minor spendings, etc.);

- Rent;
- Social securities for founders and employees - according to Finnish legislation, the employers has to cover the following social security contributions - social security contributions to the state at the rate of 2.04%, employment pension insurance contributions of 17.35%, an unemployment insurance contribution of 0.8% , an accidental injury insurance contribution of 1.07%. Thus, the total securities are about 23% of an annual employee's salary;
- New games purchase.

The more detailed information on the costs can be found in the cash flow and profit and loss estimations presented in the Appendices 1-20.

3.6.2. Funding resources overview and analysis

Independently from the chosen form of business organization, every entrepreneur needs to decide where the money for establishing would be taken from. Moreover, entrepreneurs need to get extra financing even after the actual opening and some time of successful running in order to expand or simply to renew the equipment. Anyway, there are different sources of finance options differ by their requirements and features.

Company declaration and LLC registration, according to the Finnish Law, as was mentioned before, requires a minimum starting capital of 2 500€. Thus, it mean that to register with the National Board of Patents and Registration of Finland and get company's registration number also known as business ID (Y-code) would require the owners to provide at least 1 250€ each. The rest of the finance might be sources from somewhere else.

This chapter will provide the information on all available for a start-up company sources of finance in general as well as in Finland particularly.

Bendrey et al (1996) affirm that all of the options may be split into three major groups: *long-term finance*, *medium-term finance* and *short-term finance*. Here, the major groups options will be named and explained starting with long-term finance representatives.

- *L-T, Mortgage* - This type of financing is used to purchase needed for operation premises. Normally, banks provide desired sum of money in form of the loan for a long period of time in turn of getting some security. In most cases the premises is the security and bank owns it until the whole sum has been paid back by the loan holder.

- *L-T, Venture Capital* - Businesses attract venture capitalists when they are looking for excessive loans. However, business plans of these businesses have to sound promising enough owing to the fact that usually venture capitalists expect at least 25 per cent return on their investments. Furthermore, venture capitalists tend to withdraw their invested capital after some years, so that businesses have to find some other ways to keep their operations financed.
- *L-T, Shares* - Limited Liability Company can issue shares and go public. This source of finance is used in cases when a company grows too big and requires finance. However, corporations which already had shareholders may as well issue new shares to attract more capital for their operations. Together with shares, LLC and Corporation sell some portion of ownership to the public so that new shareholders take part in decision making process depending on how much power they have got with the amount of shares hold.
- *L-T, Government Assistant* - Nowadays, in most countries, there are plentiful government agencies and organizations which provide consultancy and financial support to start-ups and existing businesses. Fortunately for entrepreneurs, some of these organizations have got lower interest rates comparing to banks and in some cases do not even require to receive the loaned money back in case of business failure
- *L-T, Internal Finance* - Frequently, owners of the companies decide to reinvest profit instead of distributing it among shareholders or stakeholders in form of bonuses. Owners may decide to do that in case of expand potential, need or desire for product line expansion, efficiency improvement, working conditions improvement.
- *M-T, Hire purchase* - Hire purchase financing used to purchase computers, electrical appliances and cars in case if these items will help to generate sufficient profits so that may repay the hire purchase. For instance, taxi station may hire purchase a car and profits generated by it use will pay the hire purchase back.
- *M-T, Leasing* - A purchase vehicle or plant and machinery. Similar to personal loans, firms ask leaser to purchase some particular item and lease it to them for periodic payment. Depending on the tenancy agreement, the firm can become the only owner of the leased property in some time after the cost of it was fully paid to the leaser.
- *M-T, Loan Finance* - Loans can be taken from the banks to finance minor fixes or purchases for operation improvements. These loans are taken for a specific period of time and repaid by instalments every month, quarterly or even half yearly.

- *S-T, Short term loan* - Manufacturing companies tend to use this source of finance to purchase raw materials or machinery with a short life to realize it and pay the loan back in short period of time.
- *S-T, Overdraft* - Overdraft is a short-term financing used to compensate cash deficit in short periods of its presence. Overdrafts are provided by banks and can be asked to be repaid in a short notice.
- *S-T, Factoring* - Factoring is one form of financing which significantly differs from all above mentioned. In this case, company gets money it potentially owns. For example, Company A sells spare parts for cars and provide 30 days payment terms so that customers may get the products today paying some percentage of the price and paying the rest in 30 days. However, due to some circumstances, Company A wants to receive it earlier. Company A may not force its customers to pay the rest earlier since the contract has been signed and terms agreed. Therefore, Company A goes to a Factoring Organization and sells the invoices it wants to cash today. Undoubtedly, Company A has to pay some interest and gets not the whole sum customers owe them, but only part of it (i.e. 80 per cent of the invoice). After that, customers owe the money to that Factoring Organization.

This section is providing the information on the sources mainly represented by Finnish governmental organizations and agencies, whereas some other sources will be named and considered as well.

- Finnvera
- The Foundation for Finnish Inventions
- Tekes – the Finnish Funding Agency for Technology and Innovations

Finnvera

According to the official webpage, “Finnvera is a specialised financing company owned by the State of Finland. It provides its clients with loans, guarantees, venture capital investments and export credit guarantees. Finnvera is the Export Credit Agency (ECA) of Finland”. The funding provided by Finnvera can be used for the wide range of purposes. For instance, the money is given for such reasons as venture capital financing, development financing, export and internationalization financing, financing for working capital, and investment financing.

According to the key figures by 30 September 2013, Finnvera committed €2,9 billion for local SME and €10.9 billion for export financing. As the organization is state owned, the State of Finland covers some losses and guaranties, what enables Finnvera to take higher risks.

Entrepreneurial loan

This finance option is used by entrepreneurs to invest into share capital or equity capital of limited company or invest into partnership. This is a personal loan, so that several founders of the same company may apply to be granted with it.

Requirements for Entrepreneur Loan borrowers are as listed:

- a shareholder in a limited company who holds at least 20% of share capital and related votes after completion of the investment or the transaction financed by means of the loan
- a partner in a general partnership, or responsible partner in a limited partnership. (Finnvera, 2013)

The Entrepreneurial loan terms and conditions are the following:

- Loan amount: 5,000 - 100,000 euro. The borrower must personally put up a self-financing portion at least 20%.
- Interest rate: The 6-month euribor and margin. Government interest subsidy reduces the financing costs.
- Loan period: maximum 10 years, up to 3 of which can be amortization-free.
- Security: The borrower is personally responsible for the loan. Security is negotiated case by case.
- Handling fee: a handling fee is charged on the loan. (Finnvera, 2013)

Overall, the Entrepreneurial Loan may compensate the needed finance to start-up a business. For instance, if the owner can afford to invest only 2 500€ of personal capital and it would be equal 20% as the loan condition requires, then Finnvera can still provide 10 000€ as the Entrepreneurial Loan.

Micro-guarantee

Micro-guaranty is designed to help businessmen in Finland to get loans in banks. In case of missing adequate guarantee, banks can apply to Finnvera which partially cover security for

the loan. Micro-guarantee can be provided to any start-up company, or to a company with less than 50 persons employed.

The Micro-guarantee has got the following terms and conditions:

- Finnvera's guarantee proportion can be max. 60%. However, the total sum of Micro-guarantees granted to one enterprise may not exceed EUR 85,000.
- Financial instruments to be guaranteed: promissory note credits or accounts with overdraft facility.
- Security: counter-securities are mutual specific securities, which will be shared between the bank and Finnvera. The securities obtained will be arranged and managed by the bank.
- Fees collected on the guarantee: The guarantee commission is 1.75% p.a. on the guarantee sum. A handling fee will also be charged. (Finnvera, 2013)

Microloans

Microloans are normally used by start-up as well as functional companies to invest in machinery (equipment), working capital, or other start-up costs.

Requirements for the business to be financed with microloans are as listed:

- it does not employ more than five people
- the entrepreneur-owner works full-time in the business
- it operates in any sector, though not the actual farming industry, forestry or building developer's business. (Finnvera, 2013)

Microloans' terms and conditions:

- Loan amount: 5,000 - 35,000 euro.
- Interest rate: The 6-month euribor and margin. The interest charged incorporates government interest subsidy.
- Loan period: maximum 5 years.
- Security: The holders of a business name, the partners in a general partnership and the responsible partners in a limited partnership are personally responsible for the loan. The shareholders of a limited liability company are expected to give absolute general guarantees as security for the loan. The maximum total security equals the loan sum. Other possible forms of security can be negotiated case by case.
- Handling fee: a handling fee is charged on the loan. (Finnvera, 2013)

As Finnvera states, other Finnvera funding are possible together with Microloans as well as Microloans may be supplemented with a start-up grant (strättiraha, will be explained later in this chapter) by the Ministry of Labour.

Investments and Working Capital Loan

This is one more option of funding provided by Finnvera. Here, as well as with Microloan, funds are mainly used to finance machinery and equipment investments, to provide working capital for growth, etc. This option is used equally by newly launched as well as existing businesses.

Investments and Working Capital Loan can only be applied by SME, in other words:

- the enterprise has fewer than 250 employees
- its annual turnover does not exceed 50 million euro or its annual balance-sheet total is less than 43 million euro. (Finnvera, 2013)

Investments and Working Capital Loan's terms and conditions:

- Loan amount: usually a co-funding arrangement.
- Interest rate: fixed or tied to a reference rate. It is affected by the business's profitability and financial standing, its operating risk and security. In national support areas the interest of the loan to SMEs incorporates interest subsidy.
- Loan period: generally 3 - 15 years depending on the character and the size of the investment.
- Security: negotiated case by case.
- Handling fee: a handling fee is charged on the loan. (Finnvera, 2013)

In conclusion, Finnvera may become a good source of finance in case of a good and profitable business idea and limited finance access. LevelUp Company would require, according to the estimate calculations presented in a previous chapter, around €150 000 borrowed capital.

The table below gives an example of possible Finnvera finance options combination which could fulfil the needed financial gap for the company establishment.

Table 8, Probable scheme of LevelUp financing with Finnvera assistance

	Personal cash	Microloan	Entrepreneurial loan	Total spendings
Viktor Zhak	€1 250	€32 500	€50 000	€1 250 + €50 000
Ilya Sokolov	€1 250	€32 500	€50 000	€1 250 + €50 000
Subtotal and total investment into the project				
LevelUp	2 500€	€65 000	€100 000	€2 500 + €165 000

In the table, the Entrepreneurial loan amount is still open for discussions due to the fact that founders are still not aware about the terms and conditions in case when two different entrepreneurs from the same company are applying for this financing option. The question is, whether the limit of €100 000 considered to be the limit for a company, or for an entrepreneur who applied for the financing? Otherwise, the founders would take more in form of Entrepreneurial loan to reduce personal liability from Microloan.

The Foundation for Finnish Inventions

According to the official webpage, the Foundation for Finnish Invention is all about screening and evaluating inventions and innovative ideas generated by private persons and start-up companies, and helping to develop them into businesses.

Generally, the Foundation for Finnish Inventions is financing existing enterprises for developing and exploiting invention proposals, according to the Ministry of Employment and the Economy official website. There are several forms of risk financing support provided by the Foundation for Finnish Inventions:

- "Keksi" Funding - covers the early costs of developing an invention up to a maximum of EUR 8,000.
- Grant – for covering early costs. Grants are given on “innovativeness, technical functionality and economical evaluation of the invention proposal” basis, and are not obligatory to be refunded.
- Support funding – “for paying the costs relating to patenting, product development and commercialisation”. There is no interest on funding and no need to refund the support, if the use of it does not succeed.
- Loan – for starting a business operation with “the central of exploiting an invention industrially and commercially”

Overall, the Foundation for Finnish Inventions does not require any securities and able to provide from €2,000 to €200,000 financial support. The maximum repayment time is 12 years, and the repaid sum will never exceed the granted one.

Tekes

Tekes is also known as the Finnish Funding Agency for Technology and Innovations and focuses on innovation and technology developments funding programmes.

Here are the requirements set by Tekes to be eligible for funding:

- the company must be based in Finland;
- funding must be intended for R&D and innovation;
- it must be either existing SME (funding for the procurement of expert services to support innovation activities), or young company (funding for growth and internationalisation).

The main feature of this kind of funding is that it is based on a competition. In other words, there are many companies applying for Tekes funding, and only that company, which wins the competition among others, will receive the support. There are several criteria according to which the Finnish Funding Agency for Technology and Innovations chooses the winner:

- intended business or other utilisation
- technology, innovation or know-how to be developed
- resources to be used
- cooperation to be developed or utilised
- societal and environmental wellbeing factors to be promoted
- impact of Tekes's funding and expert work

As it can be seen, the criteria are designed in a way to select the best project with the greatest benefits to the society and economy.

For SME, Tekes offers either grants, or loans with up to 50 and 70 percent coverage respectively. In other words, the company has itself be able to finance at least 50% of the operations, while the rest 50% will be funded by Tekes.

As well as in case of the Foundation for Finnish Inventions, Tekes does not compel to refund money if the company does not succeed.

Overall, the Foundation For Finish Inventions and Tekes organizations totally differ from Finnvera in a funding design and purposes. Therefore, in order to be granted with any of two above mentioned financial assistance, LevelUp Company need to design a unique business concept or at least a unique way of service offer and/or company performance.

Other sources

Starttiraha

Start-up grant (also known as “starttiraha” in Finland) is one of the first financial supports to be considered by fresh businessmen. This is not as much financial business support as personal support to those who decided to become and entrepreneur. According to the official resources, the Start-up Grant is intended to secure the livelihood of an entrepreneur during the actual business idea development and establishment. However, the maximum period of such financial support could not be longer than 18 months and in a volume of 32,46€ (TE-palvelut, 2013) per one day. There also be, depending on the case, an add-on by Employment and Economic Development Office up to 60 per cent to the basic amount of support.

Undoubtedly, there are plenty of official requirements to be granted with starttiraha. Among others, there are such as:

- the applicant must have or acquire the sufficient capabilities for the intended business operations, and
- the intended business operations must be full-time operations, and the requirements for continuous and profitable operations must be met.

The grant would not be provided, if:

- the intended business operations are estimated to secure a reasonable livelihood for the applicant during the start-up and establishment phase,
- the start-up grant is considered to distort competition between other parties offering similar products or services more than slightly,
- the applicant has launched the business operations before a decision was made on granting the start-up grant,
- the applicant is seen to continue the work he or she has done through an employment contract, and his or her previous employer is considered to become the main client, or
- the applicant has significantly neglected his or her duty to pay taxes or other statutory fess, or if he or she has significant payment defaults covered by private law, unless

the Employment and Economic Development Office sees a specific reason for granting the start-up grant. (Enterprise Finland, 2013)

Due to the fact that LevelUp founders expect to receive some government financial support at the first stages of the business running, the actual salaries paid to them by LevelUp would be significantly lower comparing to the next years when the company would get some image and customers and increase its turnover. This can also be seen in Appendices 1-20 in “Expenses” section.

FVCA

Finally, there might also be contemplated an option of attracting venture capitalists funds. For this reason LevelUp Company can contact the Finnish Venture Capital Association (FVCA). Private equity (venture capital) is provided to non-quoted on a stock market companies which pursue growth and development goals.

The list of all available venture capitalists can be accessed through the official webpage of FVCA, where they are sorted by field of business and location. However, as was mentioned in the literature review chapter, venture capital is hard to get and the business must be looking profitable enough to attract and be able to repay the venture capitalists’ inputs in a quite short period of time.

Overall, the most of possible finance sources have been named and described briefly so that LevelUp Company can evaluate the chances of getting enough financing to make the business running. Still, Finnvera options seemed to be the most reachable and appropriate to the current business idea. Undoubtedly, there is always a chance to get financed by some investors; however, in that case the company ownership might be shifted from its initial founders.

Funding liabilities predictions

As the empirical research has shown Finnvera may become the only external source of financing for the project. Microloan and Entrepreneurial Loan options have been selected and terms of payment analyzed.

Microloan

As the research shows, founders may take €15 000 each with the following terms of payment:

Table 9, Microloan's applied terms

	Borrowed Sum	Loan period	Interest rate (Finnvera, 2013)	Total interest rate on 24.11.2013	Annuity
Viktor Zhak	€32 500	5 years	1.75%+6 months Euribor	2.07%	€597.7
Ilya Sokolov	€32 500	5 years	1.75%+6 months Euribor	2.07%	€597.7

The monthly instalment is the subject to a personal liability and cannot be considered as LevelUp Company's payables.

Entrepreneurial Loan

Differently to the Microloan option, this funding would be gathered by the company with the following terms of payment:

Table 10, Entrepreneurial Loan's applied terms

	Borrowed Sum	Loan period	Interest rate (Finnvera, 2013)	Total interest rate on 24.11.2013	Annuity
LevelUp	€100 000	10 years	1.75%+6 months Euribor	2.07%	€1 436.9*

- According to Finnvera, with the Entrepreneurial Loan, 3 first years may be amortization-free. Otherwise, the instalment would be €1 006 per month.

3.6.3. Pricing and breakeven point

In order to obtain enough earnings to breakeven, marketing and account managers shall set up the price which would satisfy all the parties. Therefore, some pricing methods should be considered and the best one adopted in the business.

According to Zimmerer, Scarborough (1996) state that there are various pricing methods which might be used in such different business situations as new products launch, good manufacturing companies, and service companies. The pricing methods are the following:

Penetration Pricing Strategy – in this strategy companies set as low as possible price just above the cost of producing the product. It is normally done when companies introduce new

products and want to get as many sales as possible. One more reason to do that is in eliminating the chance of any other similar companies entering the same market. Undoubtedly, the introduction of new products and this pricing strategy may cost a lot to the company for a while due to huge promotion costs for new product and its low selling price. However, since the market has been penetrated and customers accepted the product, the sales increase and adequate profit can be earned.

Skimming Pricing Strategy – Similarly as with penetration pricing strategy, this strategy is used for new products, or by new companies which aiming to enter into the market with low competition. However, companies enter the market using the skimming pricing strategy only in case of not price-sensitive markets. The main feature of this strategy is in setting a higher-than-normal price in order to recover the initial development and promotion of the product. Furthermore, setting “higher-than-normal price” versus “just above the cost” gives more flexibility in its change in future if needed.

Sliding-Down-the-Demand-Curve Pricing Strategy – Another variation of skimming pricing when the price set high, however goes down with advanced technology availability which allows producing the same product for less costs. This is a short-term strategy and usually used when there is some risk of emerging competition, but even if there is no that risk companies still tends to follow this strategy to attract larger segment of the market.

Follow-the-Leader Pricing Strategy – By its name this strategy users just copy the price of their competitors. The main cons of this “me-too” pricing policy are that it eradicates an opportunity to create a special price image for the company and a distinctive image in its customers’ eyes.

Cost-Plus Pricing Strategy – Differently from above mentioned strategies, this strategy is used by manufacturing companies. The price is based here on costs occurred to produce and sell the product “plus” the desired profit margin. In other words, company just computes how much it spent to manufacture 1 piece of product and then add the margin it would like to receive as a profit. Doing this way, company ensures to receive as much as they want after paying all the costs and salaries. However, this policy does not encourage the efficiency in production process since the profit obtained in desired volume independently on the spending. In addition, this pricing fails to consider competitors’ prices adequately enough because of different manufacturers’ cost structures.

Having market and competitors analysed, costs computed and allocated, the founders have set the prices for the service as follows below:

Table 11, LevelUp's service pricelist

<u>Price policy</u>	<u>Console, PC</u>	<u>NET</u>
0.5	-	4
1	10	6
2	18	10
3	25	13
3+n	25+6n	13+3*n
overnight (22.00-4.00)	40	

Where, the left side of the table indicates the number of hours while the right side respectively shows the price for them, and NET stands for internet searching service.

The prices were based mainly on the skimming pricing strategy, competitors' prices and the estimated value of the service to the potential customers.

In the financial statements, the price is already shown with service VAT of 10% deducted.

Breakeven point

Every good manager need to know how many pieces of product or hours of service need to be provided and sold in order to avoid a loss at the end of a period. Therefore, they tend to find the breakeven point for the business.

The breakeven point (BEP), as Horngren, Datar, Foster state, is the amount of output sold at which the total costs of producing this amount are equal total revenues generated by selling that amount and, as follows, the operating income is 0. Particularly, the breakeven point tells managers how much they should sell to make 0 profit.

To analyse how many hours of service should be sold by LevelUp Company, the breakeven analysis was conducted.

According to the plan, the founders are going to place the following amount of service points (PCs, NET computers and Consoles): 4 PS4, 4 X-box One, 12 PCs, 5 NET computers.

$$\text{Breakeven number of units} = \frac{\text{Fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$$

The fixed costs are mainly represented by rent and employees' salaries, then, the variable costs are represented by electricity, water, and other costs.

$$\text{Breakeven number of units} = \frac{4000 + 2000 + 2000}{(9.09 * 12 + 9.09 * 8 + 5.45 * 5)/25 - 3}$$

$$\text{Breakeven number of units} = 1492 \text{ hours}$$

Overall, to breakeven, LevelUp Company has to provide 1492 hours of service per month on PCs et al. sets with the average price of €8.36 on all 25 sets. On the other hand, the total monthly capacity of the place (LevelUp) is 8400 hours per month (breakeven capacity =1492/8400= 18%).

3.6.4. Financial statements results

Since the organizational structure and source of funding have been agreed, the entrepreneur should focus on financial plan for that new business venture. Zimmerer, Scarborough (1996) state that many small enterprises fail to obtain financial needs due to poor financial planning, they also believe that it is crucial for each entrepreneur to build a solid plan for financial needs before the actual launching of the firm. Financial planning includes plenty of different aspects should be taken into account by an entrepreneur; however, the authors firstly want to target such group as “financial statements”.

According to Penman (2001), financial statements “translate economic factors into accounting numbers like assets, sales, margins, cash flows, and earnings, and therefore we analyse the business by analysing financial statements”. There are three main types of financial statements that can be used by limited liability company owners (M Bendrey, R Hussey, C West, 1996). They are *profit and loss account*, *balance sheet* and *cash flow statement*. Also, there might be included a short statement called “statement of retained earnings” which plays a role of connecting bridge between income statement and balance sheet.

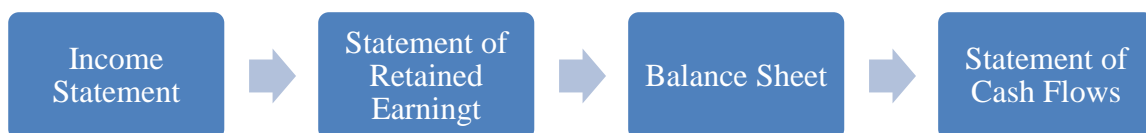


Figure 6, Financial statements (Harrison, Horngren 2005, p.15)

The financial projections for the first year state that at the end of the year company closes the accounts with positive results. The retained earnings are €17 212.04. The second year and the third years' retained earnings are expected to be €2 048.32 and €2 566.25 respectively.

The founders also believe that the weekly capacity usage will increase in the second and the third accounting periods due to customers' awareness about the LevelUp Company and its image from 75 hours a week to 85 and 95 hours a week respectively. Therefore, the turnover and the ending year result are expected to be relatively higher than during the first year of company's operations what allows the company to hold the first e-sport competition followed by a big marketing campaign (Appendices 1-20).

Overall, there were conducted estimate calculations for the next 5 years of business running and all of the Turnover, Cash flow, Profit and loss, Balance sheet statements can be found in Appendices section.

3.6.5. NPV analysis

Net Present Value (NPV) – Paramasivan and Subramanian (2009) describe NPV measure as a modern method of computing the difference between the total present value of future cash inflows and the total present value of future outflows. The investor should accept the proposal in case of positive NPV. Evidently, the project proposal with higher NPV result (which is computed in Euro) is more attractive to the investor. The formula for NPV appraising looks as follows:

$$NPV = \sum_{t=1}^T \frac{C_t}{(1+r)^t} - C_0$$

Where, t – the time of a cash flow; r – the discount rate; C_t – the cash flow at time t ; C_0 – the cash out flow.

As was mentioned before, as bigger NPV value as more attractive it is to the investor. However, in some cases investors may make a decision to make an investment even though the NPV=0. It means that there would be neither gain, nor loss in that investment and is made due to some other than financial reasons, i.e. strategy reasons.

As a time of investment, the period of 10 years (the loan payment period) was taken first to test the investment with the discount rate of 9%. The cash flows are shown in the table below:

Table 12, Cash flows for 10 years

Year	Cash flow
0	-€100 000
1	€18 797.4

2	€2 713
3	€3 399
4	€20 699.2*
5	€20 699.2*
6	€20 699.2*
7	€20 699.2*
8	€20 699.2*
9	€20 699.2*
10	€20 699.2*

*Since the estimations were made only for 5 years, the 5th year's cash flow was assigned to be the same for the next 5 years.

The following NPV has been found to estimate the investment's profitability:

$$\begin{aligned}
 NPV = & \frac{17\,212.04}{(1+0.09)^1} + \frac{2\,048.32}{(1+0.09)^2} + \frac{2\,566.25}{(1+0.09)^3} + \frac{15\,627.90}{(1+0.09)^4} + \frac{15\,627.90}{(1+0.09)^5} \\
 & + \frac{15\,627.90}{(1+0.09)^6} + \frac{15\,627.90}{(1+0.09)^7} + \frac{15\,627.90}{(1+0.09)^8} + \frac{15\,627.90}{(1+0.09)^9} + \frac{15\,627.90}{(1+0.09)^{10}} \\
 & - 100\,000 \\
 NPV = & 17\,245.32 + 2\,283.48 + 2\,624.65 + 14\,663.84 + 13\,453.06 + 12\,342.26 \\
 & + 11\,323.17 + 10\,388.23 + 9\,530.49 + 8\,743.57 - 100\,000 \\
 NPV = & 102\,598.06 - 100\,000 \\
 NPV = & 2\,598.06
 \end{aligned}$$

As it can be seen, the investment gets a positive NPV what means that this might be a good investment to make.

3.6.6. Financial Conclusions

To sum up the qualitative-quantitative research based on open sources data analysis, the following conclusions can be made. First of all, there are many available, in most cases, governmental organizations to provide solid financial support to business with a high potential. Moreover, other funding options and investors can be involved into the project. Secondly, the largest portion of the costs fall, as was expected by the founders, on equipment, mainly on PCs and gaming appliances (PS4 and X-box with TV sets). As for the promotion campaign, the options can still be evaluated and considered.

On the other hand, as analysis and calculations claim, the total investment need to be around €167 500, however, the numbers might be lower since LevelUp Company can use credit offers from the shops where the equipment going to be purchased.

Thirdly, the breakeven analysis illustrated the realistic amount of service hours to be provided in order to pay the fixed costs

Then, the financial statements proved that LevelUp Company can face the expenses and even invest into marketing campaigns and tournament to gain a brand image within the market.

Finally, the NPV calculation, even though it was based on the estimations, ends up to be positive (€2 598.06) to attract investors or simply to get approved by Finnvera for funding.

4. Conclusion

The purpose of the thesis was to create a business plan for a gaming café (LevelUp). Business plan was created using all knowledge obtained from Arcada in the fields of finances and marketing. In order to achieve the main goals, LevelUp Company's business plan covers industry analysis, main gaming trends, research in competition and customers. Besides, all basic information on the company was provided (location, products, services, prices, internal operations). Due to the fact that LevelUp Company is planned to be opened, financial projections were created and illustrated as well as branding and advertising campaigns were discussed in the thesis.

In the beginning of the thesis writing, authors of the thesis had a concern about the customers' interest in the venture. In response to it, wide researches were conducted and it became evident that there is a need for this type of entertaining centre in a growing Finnish gaming industry. Besides, referring to the NPV, the launching this business will bring profits and possibility for the company's development.

To summarize, writing a business plan as a thesis is a tough task to accomplish, as much planning and scanning process is needed. On the other hand, it is a great opportunity to use all the possible knowledge in creating financial statements and marketing planning of the business. LevelUp Company represents writers' entrepreneurial spirit and willingness to open up the venture. This business has huge opportunities and almost no threats. Due to this fact launching the LevelUp gaming café is going to become an entrepreneurial action that is well planned and both future founders have strong perception over it.

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6. Appendices